From ARV to MAO

Welcome back.

So we've covered the ARV and the MAO and some of the factors we need to consider in order to go from the ARV to the MAO.

Let's see how that works out.

[screen demo]

ARV - Investor Profits - Rehab - Wholesaling Fee = MAO

The formula isn't really hard right? It's simple math.

It's not the math that is difficult, it's coming up with accurate numbers that is hard.

In later lectures we'll explore some of the steps you can take to generate more accurate numbers and thus more accurate MAOs that you can rely on.

But this formula isn't complete yet. We need to make an adjustment because of something called the 70% rule.

Why? Because this formula is missing more thing—holding costs. The flip investor has other costs besides the rehab that they'll need to pay.

So the 70% rule is one way to account for that. Let's see how that works out.